

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

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SW-02390a
Southland Sanitation, Co.
2730 E. Broadway, Suite 135
Tucson AZ 857160000

APR 15 2005

ANNUAL REPORT

FOR YEAR ENDING

12	31	2004
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FOR COMMISSION USE

ANN05	04
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COMPANY INFORMATION

Company Name (Business Name) Southland Sanitation Co.

Mailing Address 2730 E. Broadway, Suite #135
(Street)

Tucson Arizona 85716
(City) (State) (Zip)

(520) 327-6000 (520) 327-6184 N/A
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Email Address N/A

Local Office Mailing Address 4148 Golden Acres Drive
(Street)

Sierra Vista Arizona 85650
(City) (State) (Zip)

(520) 378-6200 (520) 378-2085 N/A
Local Office Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Email Address N/A

MANAGEMENT INFORMATION

Management Contact: Sidney Mendelsohn, Jr. - Secretary
(Name) (Title)

6301 N. Dundedin Place Tucson Arizona 85718
(Street) (City) (State) (Zip)

(520) 325-7500 (520) 323-6614 N/A
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Email Address N/A

On Site Manager: F. G. Heeren
(Name)

4148 Golden Acres Drive Sierra Vista Arizona 85650
(Street) (City) (State) (Zip)

(520) 378-6200 (520) 378-2085 N/A
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Email Address N/A

☒ Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: Sidney Mendelsohn, Jr.

(Name)

6301 N. Dundedin Place

(Street)

Tucson

(City)

Arizona

(State)

85718

(Zip)

(520) 325-7500

Telephone No. (Include Area Code)

(520) 323-6614

Fax No. (Include Area Code)

N/A

Pager/Cell No. (Include Area Code)

Attorney: John O'Hare

(Name)

3865 N. Tucson Blvd.

(Street)

Tucson

(City)

Arizona

(State)

85716

(Zip)

(520) 881-2308

Telephone No. (Include Area Code)

N/A

Fax No. (Include Area Code)

N/A

Pager/Cell No. (Include Area Code)

☒ Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

☐ Sole Proprietor (S)

☒ C Corporation (C) (Other than Association/Co-op)

☐ Partnership (P)

☐ Subchapter S Corporation (Z)

☐ Bankruptcy (B)

☐ Association/Co-op (A)

☐ Receivership (R)

☐ Limited Liability Company

☐ Other (Describe) _____

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

☐ APACHE

☒ COCHISE

☐ COCONINO

☐ GILA

☐ GRAHAM

☐ GREENLEE

☐ LA PAZ

☐ MARICOPA

☐ MOHAVE

☐ NAVAJO

☐ PIMA

☐ PINAL

☐ SANTA CRUZ

☐ YAVAPAI

☐ YUMA

☐ STATEWIDE

COMPANY NAME

Southland Sanitation Co.

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
351	Organization	N/A	N/A	N/A
352	Franchises	N/A	N/A	N/A
353	Land and Land Rights	25,305	N/A	25,305
354	Structures and Improvements	178,583	46,856	131,727
355	Power Generation Equipment	N/A	N/A	N/A
360	Collection Sewers – Force	N/A	N/A	N/A
361	Collection Sewers – Gravity	105,453	105,449	4
362	Special Collecting Structures	N/A	N/A	N/A
363	Services to Customers	18,316	18,313	3
364	Flow Measuring Devices	N/A	N/A	N/A
365	Flow Measuring Installations	N/A	N/A	N/A
370	Receiving Wells	N/A	N/A	N/A
380	Treatment and Disposal Equip.	56,794	10,736	46,058
381	Plant Sewers	N/A	N/A	N/A
382	Outfall Sewer Lines	N/A	N/A	N/A
389	Other Plant and Misc. Equipment	N/A	N/A	N/A
390	Office Furniture and Equipment	N/A	N/A	N/A
391	Transportation Equipment	N/A	N/A	N/A
393	Tools, Shop and Garage Equip.	N/A	N/A	N/A
394	Laboratory Equipment	N/A	N/A	N/A
395	Power Operated Equipment	N/A	N/A	N/A
398	Other Tangible Plant	N/A	N/A	N/A
	TOTALS	384,451	181,354	203,097

This amount goes on the Balance Sheet Acct. No. 108



COMPANY NAME

Southland Sanitation Co.

CALCULATION OF DEPRECIATION EXPENSE

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
351	Organization	N/A	N/A	N/A
352	Franchises	N/A	N/A	N/A
353	Land and Land Rights	25,305	N/A	N/A
354	Structures and Improvements	178,583	5.0%	7,646
355	Power Generation Equipment	N/A	N/A	N/A
360	Collection Sewers – Force	N/A	N/A	N/A
361	Collection Sewers – Gravity	105,453	5.0%	0
362	Special Collecting Structures	N/A	N/A	N/A
363	Services to Customers	18,316	5.0%	0
364	Flow Measuring Devices	N/A	N/A	N/A
365	Flow Measuring Installations	N/A	N/A	N/A
370	Receiving Wells	N/A	N/A	N/A
380	Treatment and Disposal Equip.	56,794	5.0%	2,840
381	Plant Sewers	N/A	N/A	N/A
382	Outfall Sewer Lines	N/A	N/A	N/A
389	Other Plant and Misc. Equipment	N/A	N/A	N/A
390	Office Furniture and Equipment	N/A	N/A	N/A
391	Transportation Equipment	N/A	N/A	N/A
393	Tools, Shop and Garage Equip.	N/A	N/A	N/A
394	Laboratory Equipment	N/A	N/A	N/A
395	Power Operated Equipment	N/A	N/A	N/A
398	Other Tangible Plant	N/A	N/A	N/A
	TOTALS	384,451		10,486

This amount goes on the Comparative Statement of Income and Expense Acct. 403



COMPANY NAME Southland Sanitation Co.

BALANCE SHEET

Acct No.		BALANCE AT BEGINNING OF TEST YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 9,140	\$ 9,524
132	Special Deposits	N/A	N/A
135	Temporary Cash Investments	438	319
141	Customer Accounts Receivable	5,565	5,685
146	Notes/Receivables from Associated Companies	N/A	N/A
151	Plant Material and Supplies	N/A	N/A
162	Prepayments	463	52
174	Miscellaneous Current and Accrued Assets	7,155	4,708
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 22,761	\$ 20,288
	FIXED ASSETS		
101	Utility Plant in Service	\$ 384,451	\$ 384,451
103	Property Held for Future Use	N/A	N/A
105	Construction Work in Progress	N/A	N/A
108	Accumulated Depreciation – Utility Plant	(170,868)	(181,354)
121	Non-Utility Property	N/A	N/A
122	Accumulated Depreciation – Non Utility	N/A	N/A
	TOTAL FIXED ASSETS	\$ 213,583	\$ 203,097
	TOTAL ASSETS	\$ 236,344	\$ 223,385

NOTE: Total Assets on this page should equal **Total Liabilities and Capital** on the following page.

COMPANY NAME Southland Sanitation Co.

BALANCE SHEET (CONTINUED)

Acct No.	LIABILITIES	BALANCE AT BEGINNING OF TEST YEAR	BALANCE AT END OF YEAR
	CURRENT LIABILITES		
231	Accounts Payable	\$ 57	\$ 803
232	Notes Payable (Current Portion)	145,417	137,414
234	Notes/Accounts Payable to Associated Companies	79,168	74,878
235	Customer Deposits	569	391
236	Accrued Taxes	1,742	1,815
237	Accrued Interest	5,359	7,036
241	Miscellaneous Current and Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	\$ 232,312	\$ 222,337
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$ N/A	\$ N/A
	DEFERRED CREDITS		
252	Advances in Aid of Construction	\$ N/A	\$ N/A
253	Other Deferred Credits	N/A	N/A
255	Accumulated Deferred Investment Tax Credits	202	175
271	Contributions in Aid of Construction	N/A	N/A
272	Less: Amortization of Contributions	N/A	N/A
281	Accumulated Deferred Income Tax	549	N/A
	TOTAL DEFERRED CREDITS	\$ 751	\$ 175
	TOTAL LIABILITIES	\$ 233,063	\$ 222,512
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$ 10,000	\$ 10,000
211	Other Paid in Capital	115,428	115,428
215	Retained Earnings	(122,147)	(124,555)
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$ 3,281	\$ 873
	TOTAL LIABILITIES AND CAPITAL	\$ 236,344	\$ 223,385

COMPANY NAME

Southland Sanitation Co.

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
521	Flat Rate Revenues	\$ 60,919	\$ 61,758
522	Measured Revenues	N/A	N/A
536	Other Wastewater Revenues	800	905
	TOTAL REVENUES	\$ 61,719	\$ 62,663
	OPERATING EXPENSES		
701	Salaries and Wages	\$ N/A	\$ N/A
710	Purchased Wastewater Treatment	N/A	N/A
711	Sludge Removal Expense	N/A	N/A
715	Purchased Power	4,982	6,907
716	Fuel for Power Production	N/A	N/A
718	Chemicals	N/A	N/A
720	Materials and Supplies	N/A	N/A
731	Contractual Services – Professional	26,034	12,985
735	Contractual Services – Testing	580	240
736	Contractual Services – Other	10,155	9,383
740	Rents	1,500	1,500
750	Transportation Expense	N/A	N/A
755	Insurance Expense	788	662
765	Regulatory Commission Expense	145	45
775	Miscellaneous Expense	3,098	7,283
403	Depreciation Expense	10,368	10,486
408	Taxes Other Than Income	N/A	N/A
408.11	Property Taxes	3,384	3,529
409	Income Taxes	(5,800)	(927)
	TOTAL OPERATING EXPENSES	\$ 55,234	\$ 52,093
	OTHER INCOME/EXPENSE		
419	Interest and Dividend Income	\$ 2	\$ 1
421	Non-Utility Income	27	27
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	(13,503)	(13,006)
	TOTAL OTHER INCOME/EXPENSE	\$ (13,474)	\$ (12,978)
	NET INCOME/(LOSS)	\$ (6,989)	\$ (2,408)

COMPANY NAME

Southland Sanitation Co.

SUPPLEMENTAL FINANCIAL DATA**Long-Term Debt**

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	1998			
Source of Loan	Shareholder			
ACC Decision No.	N/A			
Reason for Loan	Working Capital			
Dollar Amount Issued	\$ 12,500	\$	\$	\$
Amount Outstanding	\$ 12,500	\$	\$	\$
Date of Maturity	Demand			
Interest Rate	8 %	%	%	%
Current Year Interest	\$ 1,000	\$	\$	\$
Current Year Principle	\$ 0	\$	\$	\$

COMPANY NAME

Southland Sanitation Co.

WASTEWATER COMPANY PLANT DESCRIPTION**TREATMENT FACILITY****TYPE OF TREATMENT**

(Extended Aeration, Step Aeration, Oxidation Ditch, Aerobic Lagoon, Anaerobic Lagoon, Trickling Filter, Septic Tank, Wetland, Etc.)

Extended Aeration with Evaporation Ponds (2)

DESIGN CAPACITY OF PLANT

(Gallons Per Day)

70,000

LIFT STATION FACILITIES

Location	Quantity of Pumps	Horsepower Per Pump	Capacity Per Pump (GPM)	Wet Well Capacity (gals)
N/A				

FORCE MAINS

Size	Material	Length (Feet)
4-inch	N/A	N/A
6-inch	N/A	N/A

MANHOLES

Type	Quantity
Standard	N/A
Drop	61

CLEANOUTS

Quantity
N/A

COMPANY NAME

Southland Sanitation Co.

WASTEWATER COMPANY PLANT DESCRIPTION (CONTINUED)**COLLECTION MAINS**

Size (in inches)	Material	Length (in feet)
4		N/A
6		N/A
8	Clay Pipe	15,555
10		N/A
12		N/A
15		N/A
18		N/A
21		N/A
24		N/A
30		N/A

SERVICES

Size (in inches)	Material	Quantity
4	Clay Pipe	297
6		N/A
8		N/A
12		N/A
15		N/A

FOR THE FOLLOWING FIVE ITEMS, LIST THE UTILITY OWNED ASSETS IN EACH CATEGORY

SOLIDS PROCESSING AND HANDLING FACILITIES	None
DISINFECTION EQUIPMENT (Chlorinator, Ultra-Violet, Etc.)	Chlorinator
FILTRATION EQUIPMENT (Rapid Sand, Slow Sand, Activated Carbon, Etc.)	None
STRUCTURES (Buildings, Fences, Etc.)	Fences, Evaporative Ponds and Storage Shed
OTHER (Laboratory Equipment, Tools, Vehicles, Standby Power Generators, Etc.)	None

COMPANY NAME Southland Sanitation Co.

WASTEWATER FLOWS

MONTH/YEAR (Most Recent 12 Months)	NUMBER OF SERVICES	TOTAL MONTHLY SEWAGE FLOW	SEWAGE FLOW ON PEAK DAY
This information is not available.			

PROVIDE THE FOLLOWING INFORMATION AS APPLICABLE

Method of Effluent Disposal (leach field, surface water discharge, reuse, injection wells, groundwater recharge, evaporation ponds, etc.)	Extended Aeration, Evaporative Ponds/Reuse
Wastewater Inventory Number (all wastewater systems are assigned an inventory number)	ID1479
Groundwater Permit Number	02029
ADEQ Aquifer Protection Permit Number	P101491
ADEQ Reuse Permit Number	P101491
EPA NPDES Permit Number	N/A

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported (2,408)
 Estimated or Actual Federal Tax Liability 0

State Taxable Income Reported (2,358)
 Estimated or Actual State Tax Liability 50

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances 0
 Amount of Gross-Up Tax Collected 0
 Total Grossed-Up Contributions/Advances 0

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

Andrew L. Romo 04.15.05
 SIGNATURE DATE

Andrew L. Romo President
 PRINTED NAME TITLE

COMPANY NAME Southland Sanitation Co. YEAR ENDING 12/31/2004

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2004 was: \$ 3,456.71

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. N/A

SOUTHLAND SANITATION, INC.

520-378-6200
4148 GOLDEN ACRES DR.
SIERRA VISTA, AZ 85635

4287

91-101/1221

April 15, 2004

Date

Pay to the
Order of

Marsha Bonham Cochise County Treasurer

\$ 1,692.07*****

THE SUM I 692 DOLS 07 CTS

Dollars



ARIZONA BANK
TUCSON, AZ 85704

For

983-56-870 - T

Andrew L. Rono

MP

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FEDERAL RESERVE BOARD OF GOVERNORS REG. CC



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042112804 862001186

BANK ONE, NA
1119013314
04202004
7440546670

PAY TO THE ORDER OF
019 BANK ONE 019

0420 04

FOR DEPOSIT ON
MARSHA BONHAM TREASURER
TAX COLLECTOR COCHISE CNTY

DO NOT SIGN / WRITE / STAMP BELOW THIS LINE
FOR DEPOSIT ONLY

ENDORSE HERE

SOUTHLAND SANITATION INC

2730 E BROADWAY BLVD STE 135
TUCSON, AZ 85716
520-327-6000

148

91-574/1221
118

DATE October 13, 2004

PAY TO THE ORDER OF Marsha Bonham Cochise County Treasurer

\$ 1,764.64*****

THE SUM 1764 DOLS 64 CTS

DOLLARS  Security Features and controls. Details on back.



Compass Bank

Tucson, Arizona

FOR 04933-56-870-2

Andrew L. Roney NP

⑈000148⑈ ⑆122105744⑆ 006500188⑈

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PAY TO THE ORDER OF
019 BANK ONE 001

10-27-04

FOR DEPOSIT OF
MARSHA BONHAM
TAX COLLECTOR - COCHISE

11119013314
107324
354321333

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

APR 15 2005

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)
<u>Pima</u>
NAME (OWNER OR OFFICIAL) TITLE
<u>Andrew L. Romo, President</u>
COMPANY NAME
<u>Southland Sanitation Co.</u>

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
<u>12</u>	<u>31</u>	<u>2004</u>

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2004 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 62,663

(THE AMOUNT IN BOX ABOVE

INCLUDES \$ None

IN SALES TAXES BILLED, OR COLLECTED)

****REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

Andrew L. Romo

SIGNATURE OF OWNER OR OFFICIAL

(520) 327-6000

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

15th

DAY OF

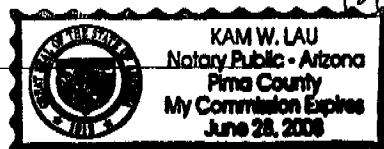
COUNTY NAME
<u>Pima</u>
MONTH
<u>April</u> , <u>2005</u>

Kam W. Lau

SIGNATURE OF NOTARY PUBLIC

(SEAL)

MY COMMISSION EXPIRES



**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY**

APR 15 2005

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) <u>Pima</u>	
NAME (OWNER OR OFFICIAL) <u>Andrew L. Romo</u>	TITLE <u>President</u>
COMPANY NAME <u>Southland Sanitation Co.</u>	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
<u>12</u>	<u>31</u>	<u>2004</u>

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2004 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 61,758

(THE AMOUNT IN BOX AT LEFT

INCLUDES \$ None

IN SALES TAXES BILLED, OR COLLECTED

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.

X Andrew L. Romo
SIGNATURE OF OWNER OR OFFICIAL

(520) 327-6000
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

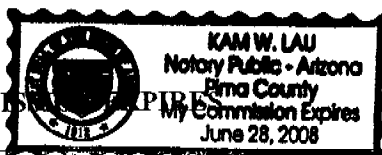
15th

DAY OF

NOTARY PUBLIC NAME <u>KIM W. LAU</u>	
COUNTY NAME <u>Pima</u>	
MONTH <u>April</u>	<u>2005</u>

(SEAL)

MY COMMISSION



X Kim W. Lau
SIGNATURE OF NOTARY PUBLIC

Financial Statements

Southland Sanitation Co.

December 31, 2004



REIDY & SHEEHAN P.C.

ACCOUNTING

TAXATION

BUSINESS

VALUATION

& CONSULTING

LITIGATION

SERVICES

Southland Sanitation Co.
Tucson, Arizona

We have compiled the accompanying balance sheet of Southland Sanitation Co. as of December 31, 2004 and the related statement of income and retained earnings and the statement of cash flows for the twelve months then ended in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the informative disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements they might influence the user's conclusions about the company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed of such matters.

April 6, 2005

Southland Sanitation Co.

Balance Sheet

December 31, 2004

(See Accountants' Compilation Report)

Assets

Current assets:

Cash in bank	\$ 9,843
Accounts receivable-customers	5,685
Prepaid insurance	<u>52</u>

Total current assets	<u>15,580</u>
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Property and equipment:

Land & land rights	25,305
Structures & improvements	178,583
Collection sewers-gravity	105,453
Service equipment	18,316
Wastewater equipment	56,794
Accumulated depreciation	<u>(181,354)</u>

Net property and equipment	<u>203,097</u>
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Other assets:

Deposits	341
Deferred income tax	<u>4,367</u>

Total Other Assets	<u>4,708</u>
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	<u><u>\$ 223,385</u></u>
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Liabilities and stockholders' equity

Current liabilities:

Accounts payable	803
Accrued taxes	\$ 1,815
Accrued int.-shareholder loan	6,359
Accrued interest-bank loan	677
Intercompany payable- SU	30,678
Loan payable compass	124,914
Note payable-SU	<u>44,200</u>

Total Current Liabilities	<u>209,446</u>
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Long-term liabilities:

Note payable-shareholders	12,500
Customer deposits	391
Net acc. deferred itc	<u>175</u>

Total long-term liabilities	<u>13,066</u>
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Total liabilities	<u>222,512</u>
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Stockholders' equity:

Common stock issued	10,000
Other paid-in capital	115,428
Retained earnings	<u>(124,555)</u>

Total stockholders' equity	<u>873</u>
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\$ 223,385

Southland Sanitation Co.

Statement of Income and Retained Earnings

For the twelve months ended December 31, 2004

(See Accountants' Compilation Report)

	<u>Year-to-Date</u>	<u>%</u>
Income:		
Sewer revenue	\$ 61,758	98.6
Other revenue	<u>905</u>	<u>1.4</u>
Total income	<u>62,663</u>	<u>100.0</u>
Operating expenses:		
Purchased power	6,907	11.0
Depreciation	10,486	16.7
Bad debt expense	169	0.3
Office supplies	1,451	2.3
Office labor	2,383	3.8
Maintenance labor-other	130	0.2
Accounting	4,581	7.3
Bookkeeping	4,400	7.0
Engineering fees	403	0.6
Management labor	12,855	20.5
Certified operator	240	0.4
Rents	1,500	2.4
Insurance	291	0.5
Regulatory comm. exp	45	0.1
Telephone	393	0.6
Taxes-property	3,529	5.6
Workers comp insurance	371	0.6
Miscellaneous	<u>2,886</u>	<u>4.6</u>
Total operating expense	<u>53,020</u>	<u>84.6</u>
Total operating income	9,643	15.4
Other income(expense)		
Interest income	1	0.0
ITC restored to nonoper inc	27	0.0
Interest expense	<u>(13,006)</u>	<u>(20.8)</u>
Total other income(expense)	<u>(12,978)</u>	<u>(20.7)</u>
Income (loss) before income tax expense	(3,335)	(5.3)
Income tax expense (benefit)		
Current income tax expense	(2,915)	(4.7)
Deferred income tax benefit	<u>1,988</u>	<u>3.2</u>
Total income tax expense (benefit)	<u>(927)</u>	<u>(1.5)</u>
Net income (loss)	(2,408)	(3.8)

Southland Sanitation Co.

Statement of Income and Retained Earnings

For the twelve months ended December 31, 2004

(See Accountants' Compilation Report)

	<u>Year-to-Date</u>	<u>%</u>
Retained earnings(deficit), December 31, 2003	<u>(122,147)</u>	
Retained earnings(deficit),December 31, 2004	<u><u>\$ (124,555)</u></u>	

Southland Sanitation Co.

Statement of Cash Flows

For the twelve months ended December 31, 2004

(See Accountants' Compilation Report)

Cash flows from operating activities	
Net loss	\$ (2,408)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:	
Noncash items included in net loss:	
Depreciation and amortization	10,486
Deferred tax	1,988
(Increase) decrease in assets:	
Accounts receivable	(120)
Prepaid expense	411
Deposits	(90)
Increase (decrease) in liabilities:	
Accounts payable	748
Deferred expense	(27)
Customer deposits	(178)
Intercompany payable	(4,290)
Accrued expenses	1,749
Total adjustments	<u>10,677</u>
Net cash provided by (used in) operating activities	<u>8,269</u>
Cash flows from financing activities:	
Net payments on bank loan	<u>(8,004)</u>
Net cash provided by (used in) financing activities	<u>(8,004)</u>
Net increase (decrease) in cash and cash equivalents	265
Cash and cash equivalents at beginning of period	<u>9,578</u>
Cash and cash equivalents at end of period	<u>\$ 9,843</u>
Supplemental cash flow information:	
Cash paid during the year for interest	<u>\$ 13,006</u>
Cash paid during the year for income taxes	<u>\$ 50</u>